

"Periodic Interest Shortfall Amount" means, with respect to any Class of Deferrable Interest Notes and each Payment Date, any shortfall in the payment of the Periodic Interest due for such Class of Notes on such Payment Date.

"Person" means an individual, corporation (including a business trust), partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), bank, unincorporated association or government or any agency or political subdivision thereof or any other entity of similar nature.

"PIKing Bond Amount" means, with respect to each PIKing Bond in the Collateral, the lesser of (a) the product of the Principal Balance of such PIKing Bond and the Applicable Recovery Rate of such PIKing Bond and (b) the product of the Principal Balance of such PIKing Bond and the Market Value of such PIKing Bond.

"Principal Balance" means, with respect to any Eligible Collateral Debt Security or Eligible Investment, as of any date of determination, the outstanding principal amount of such Eligible Collateral Debt Security or interest bearing Eligible Investment and the purchase price of any non-interest bearing Eligible Investment, as the case may be; *provided* that the Principal Balance of (a) any Eligible Collateral Debt Security that permits the deferral or capitalization of interest will not include any outstanding balance of the deferred, capitalized interest or negative amortization interest, (b) any CDS Asset will be the notional amount of such CDS Asset (excluding the notional amount of such CDS Asset with respect to which the Issuer has acquired a Covered Short CDS Asset) and any CDS Asset in the form of a note will be equal to the principal amount of the CDS Asset, and (c) any Equity Security will be zero.

"Principal Balance—Aggregate" means, with respect to any date of determination, (a) when used with respect to any Collateral Obligations, the aggregate Principal Balance of such Collateral Obligations on such date of determination; (b) (i) when used with respect to any Class of Notes or Component, if any, or portion thereof, as of such date of determination, the original principal amount of such Class or Component, as applicable, or portion thereof reduced by all prior payments, if any, made with respect to principal of such Class or portion thereof, and, (x) with respect to each Class of Deferrable Interest Notes, increased by any Periodic Interest Cumulative Shortfall Amount with respect to such Class, and (y) with respect to the Class A1 Notes, increased by any Class A1 Note Fundings in accordance with the Indenture and (ii) with respect to any Class of Notes represented by a Component that comprises a Class Q Combination Note, the Principal Balance—Aggregate (determined under this clause (b)) of such Component; and (c) when used with respect to all the Notes the sum of the Principal Balance—Aggregate (determined under clause (b) above) of all the Notes.

"Principal Balance—Portfolio" means, on any date of determination, an amount equal to the sum of (a) the Principal Balance—Aggregate of the Eligible Collateral Debt Securities in the Collateral and (b) the Principal Balance—Aggregate of Eligible Investments in the Collateral representing Principal Collections.

"Principal Collection Account" means an account titled "Principal Collection Account", established with a custodian in the name of the Trustee pursuant to the Indenture into which all Principal Collections with respect to the Eligible Collateral Debt Securities will be deposited.

"Principal Collections" means, with respect to any Period and the related Payment Date, the sum (without duplication) of all amounts received in Cash by the Issuer during such Period that are not Interest Collections; *provided* that Principal Collections will not include (a) the Excluded Property and (b) amounts or deposit in the Hedge Termination Receipts Account and the Hedge Replacement Accounts.

"Principal Coverage Amount" means, as of any date of determination, an amount equal to (a) the Principal Balance—Aggregate of all Eligible Collateral Debt Securities (other than Defaulted Securities, PIKing Bonds and Written Down Securities) included in the Collateral on such date, *plus* (b) the Principal Balance—Aggregate of the Eligible Investments in the Collection Account on such date that represent Principal Collections, *plus* (c) with respect to each Defaulted Security, such security's Defaulted Security Amount, *plus* (d) with respect to each PIKing Bond, such security's PIKing Bond Amount, *plus* (e) with respect to each Written Down Security, such security's Written Down Principal Balance, *plus* (f) any CDS Asset Capacity Amount; *provided* that for any Principal Coverage Discount Security or Written Down Security, the Principal Balance thereof for purposes of clause (a)

above, or the Written Down Principal Balance thereof for purposes of clause (e) above, as applicable, shall be deemed to be discounted to an amount equal to the percentage thereof corresponding to its purchase price (determined exclusive of accrued interest) as a percentage of its outstanding principal amount at the time of purchase thereof by the Issuer.

For purposes of calculating the Principal Coverage Tests, the Principal Balance of an Eligible Collateral Debt Security (other than a Defaulted Security, a PIKing Bond and a Written Down Security) included in the Principal Coverage Amount will be discounted by the following percentage amounts:

- (a) any Eligible Collateral Debt Securities that have (1) a Moody's Rating of "Ba1", "Ba2" or "Ba3" or (2) an S&P Rating of "BB+", "BB" or "BB-" will be included at 90.0% of their Principal Balances;
- (b) any Eligible Collateral Debt Securities that have (i) a Moody's Rating of "B1", "B2" or "B3" or (ii) an S&P Rating of "B+", "B" or "B-" will be included at 70.0% of their Principal Balances; and
- (c) any Eligible Collateral Debt Securities that have (i) a Moody's Rating of less than "B3" or (ii) an S&P Rating of less than "B-" or lower will be included at 50.0% of their Principal Balances.

For purposes of the foregoing sentence, an Eligible Collateral Debt Security will be included in the subparagraph that reflects the lower of the Moody's Rating and the S&P Rating.

"Principal Coverage Discount Security" means, (a) any Eligible Collateral Debt Security (other than a CDS Asset) that is not a Defaulted Security or Written Down Security, purchased at a price (determined exclusive of purchased accrued interest and upfront fees) below (i) if such Eligible Collateral Debt Security has a Moody's Rating of at least "Aa3", (A) 92% of its Principal Balance if such Eligible Collateral Debt Security is a Floating Rate Security or (B) 85% of its Principal Balance if such Eligible Collateral Debt Security is a Fixed Rate Security with a Moody's Rating of "Aaa", "Aa1", "Aa2" or "Aa3" or (ii) if such Eligible Collateral Debt Security is a Fixed Rate Security and has a Moody's Rating below "Aa3", 85% of its Principal Balance or (b) a CDS Asset pursuant to which the premium payable by the Issuer exceeds the stated coupon on the related CDS Reference Obligation by more than 300 basis points; *provided that*, if at any time, a Principal Coverage Discount Security has a Market Value (determined pursuant to any of clauses (a) through (c) of the definition thereof) equal to or greater than 95%, 90% or 85%, respectively, of its Principal Balance for 60 consecutive Business Days, such security shall no longer be a Principal Coverage Discount Security.

"Principal Coverage Ratio" means, with respect to any Class of Secured Notes, as of any date of determination, the ratio (expressed as percentage) obtained by dividing (a) the Principal Coverage Amount by (b) the sum of the Applicable Class A1 Swap Notional Amount and an amount equal to the sum of the Principal Balance—Aggregate of the Secured Notes of such Class and each Senior Class and Pari Passu Class of Secured Notes with respect to such Class (other than the Class S Notes).

"Principal Coverage Test" means a test that is satisfied with respect to any Class of Secured Notes if, as of any date of determination, the Principal Coverage Ratio for such Class is at least equal to the Principal Coverage Required specified in the Principal Terms Table for such Class.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"QP" means a "qualified purchaser" for purposes of Section 3(c)(7) of the Investment Company Act.

"Ramp-Up Period" means the period beginning on the Closing Date and continuing until the Ramp-Up End Date.

"Rating Agency" means each of Moody's and S&P or any successor thereto, and together, the "Rating Agencies".

"Rating Agency Confirmation" means, with respect to any specified action or determination, for so long as any Class of Notes is Outstanding and rated by Moody's and S&P, the receipt of written confirmation by each of Moody's and S&P to the effect that such specified action or determination will not, at that time, result in the reduction or withdrawal or other adverse action with respect to its then-current ratings on the Notes unless Rating Agency Confirmation is specified herein to be required by only Moody's or S&P, in which case such confirmation from the required Rating Agency will be sufficient.

"Ratings Confirmation Failure" will occur in the event that any of the Initial Ratings is not confirmed in writing or are reduced or withdrawn prior to the first Payment Date in connection with the confirmation pursuant to the Indenture.

"Redemption Amount" means the amount required to pay (a) the Redemption Price of the Notes of each Class and (b) all fees and expenses (including indemnity payments) payable under the Priority of Payments.

"Redemption Date" means the date on which a Redemption occurs.

"Redemption Price" means (a) with respect to the Secured Notes to be redeemed of any Class, an amount equal to the principal amount of such Notes (including any Periodic Interest Cumulative Shortfall Amount for such Class), together with accrued and unpaid interest on such Notes through the Redemption Date and (b) with respect to the Income Notes, an amount equal to the amount of funds remaining after payment of, or establishment of a reasonable reserve for, all other amounts payable under the Priority of Payments on the applicable Redemption Date; *provided that*, in relation to any redemption on the Mandatory Redemption Date—Initial or any subsequent Payment Date, the Redemption Price for the Secured Notes and the Income Notes shall be an amount not less than the sum of (i) the amount calculated in accordance with clause (a) above and (ii) the Required Amount.

"Registered" means, with respect to a debt obligation, a debt obligation that is issued after July 18, 1984 and that is in registered form within the meaning of Section 881(c)(2)(B)(i) of the Code and the Treasury regulations promulgated thereunder.

"Regulation S" means Regulation S under the Securities Act.

"Relevant Entity" means, with respect to any Hedge Agreement or Cashflow Swap Agreement, the Hedge Counterparty or Cashflow Swap Counterparty and, to the extent applicable, a guarantor under an Eligible Guarantee or an Eligible Replacement.

"Required Amount" means, with respect to the Income Notes, the Original Principal Amount of the Income Notes as specified in the Principal Terms Table *minus* the aggregate amount of all distributions made to the Holders of the Income Notes prior to the Mandatory Redemption Date—Initial.

"Requisite Noteholder" or "Requisite Noteholders" means, at any time, (a) the Class A1 Swap Counterparty so long as the Class A1 Swap Notional Amount has not been reduced to zero and then (b) Holders of more than 66⅔% of the Principal Balance—Aggregate of the most Senior Class of Secured Notes Outstanding at such time (with any Pari Passu Classes voting together as a single class).

"Reserve Account" means the account designated the "Reserve Account" and established in the name of the Trustee on behalf of and for the benefit of the Secured Parties under the Indenture.

"Reserve Investments" means Eligible Investments acquired from time to time with amounts on deposit in the Reserve Account or the CDS Asset Collateral Account.

"Rule 144A" means Rule 144A under the Securities Act.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successors thereto.

"S&P Approved Ratings Threshold" means, with respect to a Relevant Entity a short-term unsecured and unsubordinated debt rating from S&P of "A-1", or, if such entity does not have a short-term unsecured and unsubordinated debt rating from S&P, a long-term unsecured and unsubordinated debt rating from S&P of "A+".

"S&P Break-Even Default Rate" means, at any time, the maximum percentage of defaults which the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, can sustain (as determined by the S&P CDO Monitor), which after giving effect to S&P assumptions on recoveries and timing and to the Priority of Payments will result in sufficient funds remaining for the payment of the Notes in full by their Maturity Date—Stated, and the timely payment of interest on such Class of Notes (in the case of any Class of Notes whose Initial Rating by S&P addresses timely payment of interest) or the payment of interest of such Class of Notes in full by its Maturity Date—Stated (in the case of any Class of Notes whose Initial Rating by S&P addresses ultimate payment of interest) as determined by S&P.

"S&P CDO Monitor" means a dynamic, analytical computer program developed by S&P and used to determine the credit risk of a portfolio of Eligible Collateral Debt Securities and provided to the Manager, the Trustee and the Issuer (together with any written instructions and assumptions necessary to run the model), on or before the Ramp-Up End Date, as it may be modified by S&P from time to time.

"S&P Current Portfolio" means the portfolio (measured by Principal Balance) of Eligible Collateral Debt Securities and the proceeds of the disposition thereof held as Eligible Investments purchased with the proceeds of the disposition of Eligible Collateral Debt Securities, existing immediately prior to the sale, maturity or other disposition of an Eligible Collateral Debt Security or immediately prior to the acquisition of an Eligible Collateral Debt Security, as the case may be.

"S&P First Rating Trigger Event" means an event that shall occur if a Relevant Entity no longer meets the S&P Approved Ratings Threshold, and the applicable Hedge Counterparty or the Cashflow Swap Counterparty has failed within thirty calendar days of the date on which the Relevant Entity no longer met the S&P Approved Ratings Threshold at its own expense to either (a) post collateral in accordance with the ISDA Credit Support Annex attached to the relevant Hedge Agreement or the Cashflow Swap Agreement, as applicable, (b) furnish an Eligible Guarantee, subject to Rating Agency Confirmation from S&P, from an Eligible Guarantor, or (c) obtain an Eligible Replacement.

"S&P Loss Rate Differential" means, at any time, the rate calculated by subtracting the S&P Scenario Default Rate from the S&P Break-Even Default Rate at such time.

"S&P Minimum Average Recovery Rate" means, as of any Measurement Date, a rate expressed as a percentage equal to the number obtained by (a) summing the products obtained by multiplying the Principal Balance of each Eligible Collateral Debt Security by its S&P Recovery Rate and (b) dividing such sum by the Principal Balance—Portfolio less Cash and Eligible Investments representing Principal Collections.

"S&P Proposed Portfolio" means the portfolio (measured by Principal Balance) of Eligible Collateral Debt Securities and the proceeds of the disposition thereof held as Eligible Investments purchased with the proceeds of the disposition of Eligible Collateral Debt Securities resulting from the sale, maturity or other disposition of an item of an Eligible Collateral Debt Security or Eligible Investment or a proposed purchase of an Eligible Collateral Debt Security, as the case may be.

"S&P Rating" means the rating of any Eligible Collateral Debt Security determined as follows:

- (i) if S&P has assigned a rating to such Eligible Collateral Debt Security either publicly or privately (in the case of a private rating, with appropriate consents for the use of such private rating), the S&P Rating will be the rating assigned thereto by S&P;
- (ii) if such Eligible Collateral Debt Security is not rated by S&P but the Issuer or the Manager on behalf of the Issuer has requested that S&P assign a rating to such Eligible Collateral Debt Security, the S&P Rating will be the rating so assigned by S&P; *provided* that pending receipt from S&P of

such rating, (a) if such Eligible Collateral Debt Security is of a type not eligible for notching in accordance with the Indenture, such Eligible Collateral Debt Security will have an S&P Rating of "CCC-" and when a rating is assigned by S&P, the S&P Rating so assigned by S&P will apply for the 364 days immediately following the date of such assignment, following which the Issuer or the Manager on behalf of the Issuer will in a timely manner again request that S&P assign a rating to such Eligible Collateral Debt Security in order for this clause (ii) to be applicable and the Manager will provide S&P information required to update the credit estimate at least annually and (b) if such Eligible Collateral Debt Security is not of a type listed on a schedule to the Indenture and is eligible for notching in accordance with the Indenture, the S&P Rating of such Eligible Collateral Debt Security will be the rating assigned in accordance with the Indenture until such time as S&P has assigned a rating thereto;

(iii) if such Eligible Collateral Debt Security is an Eligible Collateral Debt Security that has not been assigned a rating by S&P pursuant to paragraph (i) or (ii) above, and is not of a type listed on a schedule to the Indenture, the S&P Rating of such Eligible Collateral Debt Security will be the rating determined in accordance with the Indenture; *provided* that if any Eligible Collateral Debt Security is on watch for a possible upgrade or downgrade by Moody's, the S&P Rating of such Eligible Collateral Debt Security will be one subcategory above or below, respectively, the rating otherwise assigned to such Eligible Collateral Debt Security in accordance with the Indenture; *provided further* that the Principal Balance—Aggregate of Eligible Collateral Debt Securities that may be assigned a rating pursuant to this clause (iii) may not exceed 20.0% of the Principal Balance—Aggregate of all Eligible Collateral Debt Securities; and

(iv) in the case of any Eligible Collateral Debt Security that is a CDS Asset, if S&P has assigned a rating to such CDS Asset and to the CDS Reference Obligation thereunder and the rating assigned to such CDS Reference Obligation is lower than that assigned to such CDS Asset, the rating by S&P of such CDS Asset for purposes of the Indenture shall be such lower rating;

provided that (I) in regard to paragraphs (i) and (ii), if an Eligible Collateral Debt Security (a) is placed on a watch list for possible upgrade by S&P for a period of fewer than four calendar months, the S&P Rating applicable to such Eligible Collateral Debt Security will be one rating subcategory above the S&P Rating applicable to such Eligible Collateral Debt Security immediately prior to such Eligible Collateral Debt Security being placed on such watch list (but will revert to the S&P Rating applicable to such Eligible Collateral Debt Security immediately prior to such Eligible Collateral Debt Security being placed on such watch list after the expiration of such period) or (b) is placed on a watch list for possible downgrade by S&P for a period of fewer than four calendar months, the S&P Rating applicable to such Eligible Collateral Debt Security will be one rating subcategory below the S&P Rating applicable to such Eligible Collateral Debt Security immediately prior to such Eligible Collateral Debt Security being placed on such watch list (but will revert to the S&P Rating applicable to such Eligible Collateral Debt Security immediately prior to such Eligible Collateral Debt Security being placed on such watch list after the expiration of such period), (II) with respect to any Form-Approved ABS Asset Agreement or Form-Approved CDO Asset Agreement, the S&P Rating shall be the same as the S&P Rating of the related CDS Reference Obligation and (III) with respect to any new CDS Asset entered into after the Closing Date other than those referred to in the preceding clause of this proviso, the S&P Rating shall be (1) a deemed rating determined by the Manager based on running S&P model for 30 days or until S&P formally rates such CDS Asset or (2) determined as specified by S&P at the time such CDS Asset is acquired.

"S&P Recovery Rate" means, with respect to an Eligible Collateral Debt Security on any Measurement Date, an amount equal to the percentage for such Eligible Collateral Debt Security set forth in the S&P Recovery Rate Matrix in a schedule to the Indenture in (a) the column applicable to the ratings assigned, on such Measurement Date, to the most highly rated Class of Notes then rated by S&P and (b) the row in such table opposite the S&P Rating (determined in accordance with procedures prescribed by S&P for such Eligible Collateral Debt Security on the date on which the Issuer acquired such Eligible Collateral Debt Security or, in the case of Defaulted Securities, the S&P Rating immediately prior to default).

"S&P Required Ratings Downgrade Event" means an event that shall occur if no Relevant Entity meets the S&P Required Ratings Threshold.

"S&P Required Ratings Threshold" means, with respect to any Hedge Counterparty, the guarantor under an Eligible Guarantee or an Eligible Replacement, a long-term unsecured and unsubordinated debt rating from S&P of "BBB+".

"S&P Scenario Default Rate" means, at any time, an estimate of the cumulative default rate for the S&P Current Portfolio or the S&P Proposed Portfolio, as applicable, consistent with the Initial Rating by S&P for each Class of Notes, determined by application of the S&P CDO Monitor at such time.

"Sale Proceeds" means all proceeds (including accrued interest) received with respect to Eligible Collateral Debt Securities and Equity Securities, as the case may be, as a result of sales or other dispositions of such Eligible Collateral Debt Securities and Equity Securities pursuant to the Indenture (including, in the case of the termination of any CDS Asset, (a) the proceeds of sale of any Deliverable Obligations delivered in respect thereof, and any distribution received in respect of CDS Collateral Eligible Securities in the event that the CDS Collateral Eligible Securities or the CDS Asset Counterparty's security interest is terminated by the Manager or the CDS Collateral Eligible Security is sold in accordance with the terms of the CDS Asset and the Management Agreement or (b) the excess, if any, of the amounts available pursuant to the CDS Asset Collateral Account, the Capacity Subaccount of the Reserve Account and the Class A1 Swap Notional Amount in respect of the related CDS Reference Obligation Notional Amount less the payments made by the Issuer in respect of the termination of such CDS Asset), net of any reasonable amounts expended by the Manager or the Trustee in their good faith determination in connection with such sale or other disposition.

"SEC" means the United States Securities and Exchange Commission.

"Second Additional Fixed Amounts" means, in respect of any CDS Assets that reference CDO Securities, the amounts payable by the CDS Asset Counterparty with respect to certain Implied Writedown Amounts as calculated in accordance with the terms of the related Pay-As-You-Go Confirmation.

"Second Rating Trigger Event" means an event that shall occur if:

(a) an S&P Required Ratings Downgrade Event has occurred and been continuing for 10 Local Business Days (as defined in the relevant Hedge Agreement) and the applicable Hedge Counterparty has failed to (i) post collateral according to the terms of the ISDA Credit Support Annex attached to the relevant Hedge Agreement and (ii) procure an Eligible Replacement; or

(b) (i) at least 30 days have elapsed since the last time that no Moody's Second Trigger Ratings Event had occurred and was continuing, (ii) the applicable Hedge Counterparty has not furnished an Eligible Guarantee or obtained an Eligible Replacement to cause such Moody's Second Trigger Ratings Event to cease, (iii) at least one Eligible Replacement has made a Firm Offer to be the transferee of all of the applicable Hedge Counterparty's rights and obligations under the related Hedge Agreement (and such Firm Offer remains an offer that will become legally binding upon such Eligible Replacement upon acceptance by the offeree) and/or (iv) an Eligible Guarantor has made a Firm Offer to provide an Eligible Guarantee (and such Firm Offer remains an offer that will become legally binding upon such Eligible Guarantor immediately upon acceptance by the offeree). For purposes of this definition, "Firm Offer" means an offer that will become legally binding upon acceptance.

"Secured Notes" means each Class of Notes designated as such in the Principal Terms Table.

"Secured Note Transfer Agent" means the Person or Persons, which may be the Trustee, authorized by the Issuer to exchange or register the transfer of Secured Notes.

"Secured Obligations" means, collectively, (a) the payment of all amounts due on the Secured Notes in accordance with their terms, (b) the payment of all other sums payable to the Secured Parties under the Indenture and/or the other Transaction Documents, and (c) compliance with the obligations of the Co-Issuers to the Secured Parties under the Transaction Documents, all as provided in the Indenture and the other Transaction Documents.

"Secured Parties" means the Trustee, for itself and on behalf of the Holders of the Secured Notes, the Holders of the Class Q Combination Notes (solely to the extent of the Class C Component), the Key Counterparties, the Initial Purchaser, the Placement Agent and any Covered Short CDS Asset Counterparty.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Semi-Annual Interest Reserve—Aggregate" means, as of any Period End Date, an amount equal to the aggregate of the Semi-Annual Security Interest Reserve Amounts for such Period End Date.

"Semi-Annual Security Interest Reserve Amount" means, with respect to each Eligible Collateral Debt Security that is a Semi-Annual Security, as of any Period End Date, an amount equal to (a) the amount of interest received by the Issuer on the most recent payment date with respect to such Semi-Annual Security divided by (b) two; *provided that* for any Semi-Annual Security with respect to which no scheduled interest payments remain, the Semi-Annual Security Interest Reserve Amount will be zero.

"Senior Class" means, with respect to any specified Class of Secured Notes, each Class of Secured Notes that ranks senior to such Class, as indicated in the Principal Terms Table.

"Share Register" means, with respect to the Ordinary Shares of the Issuer, the share register maintained by the Share Registrar.

"Short CDS Assets" means (a) a credit default swap where the Issuer is the buyer of protection or (b) a total return swap where the Issuer is the total return payer.

"Spread" means, as of any date of determination, with respect to any Eligible Collateral Debt Security (other than a CDS Asset) or, if applicable, Eligible Investment, (a) if such Eligible Collateral Debt Security or Eligible Investment bears interest based on a London interbank offered rate, the current per annum rate of such interest in excess of such London interbank offered rate, (b) if such Eligible Collateral Debt Security or Eligible Investment does not bear interest based on a London interbank offered rate, the current per annum rate of such interest in excess of LIBOR applicable to the Secured Notes or Class Q Combination Notes and (c) if such Eligible Collateral Debt Security is a Floating Rate Security—Deemed, the related Floating Rate Security—Deemed Spread; and, with respect to a CDS Asset, the "Fixed Rate" set forth in such CDS Asset for purposes of calculating the "CDS Fixed Amount" payable by the CDS Asset Counterparty to the Issuer.

"Subordinated CDS Asset/SCA Termination Payment" means any termination payment due and payable to a CDS Asset Counterparty, in accordance with the Priority of Payments, upon the termination of the related CDS Asset or early termination of the CDS Collateral Agreement, if such termination occurred solely as the result of an event of default or a termination event with respect to (a) such CDS Asset Counterparty as "defaulting party" or sole "affected party" under the applicable CDS Asset or (b) the CDS Collateral Securities Counterparty as "defaulting party" or sole "affected party" under the CDS Collateral Agreement.

"Subordinated Covered Short CDS Termination Payment" means any termination payment due and payable to a Covered Short CDS Asset Counterparty, in accordance with the Priority of Payments, upon the termination of the related Covered Short CDS Asset, if such termination occurred solely as the result of an event of default or a termination event with respect to such Covered Short CDS Asset Counterparty as "defaulting party" or sole "affected party" under the applicable Covered Short CDS Asset.

"Tax Event" means (a) a new, or change in any, United States or foreign tax statute, treaty, regulation, rule, ruling, practice, procedure or judicial decision or interpretation, occurring in each case after the Closing Date, which results in any portion of any payment due from any issuer or obligor under any Eligible Collateral Debt Security becoming properly subject to the imposition of United States or foreign withholding tax, which withholding tax is not compensated for by a "gross up" provision under the terms of the related Eligible Collateral Debt Security or (b) any jurisdiction imposes net income, profits or a similar tax on the Issuer and, in any such case, during any 12-month period the sum of the amounts deducted or withheld and taxes imposed as described in the foregoing clauses (a) and (b) exceeds U.S.\$3,000,000.

"Tax Ineligible Investment" means (a) any interest in an entity (other than an obligation treated as debt for United States Federal income tax purposes) that is treated as a partnership or trust engaged in a trade or business within the United States for United States Federal income tax purposes (other than a trust treated as a grantor trust for United States Federal income tax purposes substantially all of the assets of which meet the definition of "Eligible Collateral Debt Securities") or (b) any asset the gain from the disposition of which will be subject to United States Federal income or withholding tax under Section 897 or Section 1445 of the Code and the Treasury Regulations promulgated thereunder.

"Transaction Documents" means the Indenture, the Notes, the Management Agreement, the Class A1 Swap, each Hedge Agreement, the Cashflow Swap Agreement, the CDS Collateral Agreement, the Income Note Paying Agency Agreement, the Placement Agreement, the Note Purchase Agreement, the Administration Agreement and the Collateral Administration Agreement.

"U.S. Person" has the meaning provided in Regulation S.

"Underlying Instruments" means the loan agreement or other agreement pursuant to which an Eligible Collateral Debt Security, Eligible Investment or Equity Security has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Eligible Collateral Debt Security, Eligible Investment or Equity Security or of which the holders of such Collateral Obligation are the beneficiaries.

"Weighted Average Life" means, on any Measurement Date, (a) with respect to any Eligible Collateral Debt Security, the quotient obtained by the Manager by dividing (i) the sum of the products of (1) the number of years (rounded to the nearest one tenth thereof) from such Measurement Date to the respective dates of each successive distribution of principal thereof (assuming that (x) prepayment during any month occurs at a rate equal to the average rate of prepayment during the period of six consecutive months immediately preceding the current month (or, the Manager, in its commercially reasonable judgment, may use prepayment assumptions based upon historical prepayment speeds for portfolios with similar characteristics considering among other things the seasoning of such portfolio) and (y) any optional redemption of such Eligible Collateral Debt Security occurs at the earlier of the auction call redemption and clean-up call redemption permitted in accordance with its terms unless the Manager, in its commercially reasonable judgment, projects that the clean-up call redemption will not be exercised), and (2) the respective amounts of principal of such distributions by (ii) the sum of all successive such distributions of principal; and (b) with respect to the portfolio of Eligible Collateral Debt Securities as a whole, the number obtained by (i) summing the products obtained by multiplying (1) the Weighted Average Life of each Eligible Collateral Debt Security by (2) the Principal Balance of such Eligible Collateral Debt Security and (ii) dividing such sum by the Principal Balance—Aggregate at such time of all Eligible Collateral Debt Securities.

"Weighted Average Spread" means, as of any date of determination, a rate obtained by (a) *multiplying* the Principal Balance of each Eligible Collateral Debt Security (except Eligible Collateral Debt Securities that are currently deferring interest), including any credit default swap that was acquired as a CDS Asset, but that is subject to one or more Covered Short CDS Assets as of such date of determination, held in the portfolio as of such date *by* the Spread, (b) (i) *summing* the amounts determined pursuant to clause (a) and (ii) *subtracting* from such amount the aggregate amount of all periodic payments required to be paid by the Issuer on Covered Short CDS Assets and on CDS Assets with respect to Intermediation Fees, (c) *dividing* such sum *by* the Principal Balance—Aggregate of all Eligible Collateral Debt Securities held in the portfolio as of such date; *provided* that for purposes of calculating the Weighted Average Spread, the spread of any Eligible Collateral Debt Security that bears interest based on a floating-rate index other than LIBOR will be deemed to be the excess of (x) the rate at which such Eligible Collateral Debt Security pays interest over (y) LIBOR.

"Written Down Principal Balance" means the sum, with respect to each Written Down Security, of the amount to which the original Principal Balance of such Written Down Security is reduced as notified by or on behalf of the related issuer or trustee to the holders of such Written Down Security.

"Written Down Security" means any security that is not a Defaulted Security as to which the aggregate par amount of such security and all other securities secured by the same pool of collateral that rank *pari passu* with or senior in priority of payment to such security exceeds the aggregate par amount (including reserved interest or other amounts available for overcollateralization) of all collateral securing such securities (excluding defaulted collateral).

giving effect to any appraisal reductions and other such write downs; *provided* that, in the event that the Moody's Rating of any Written Down Security has been reduced below "B3", such Written Down Security will instead be treated as a "Defaulted Security".

SPECIFIED TYPES

The determination that an Eligible Collateral Debt Security is of a Specified Type shall be made by the Manager in its reasonable discretion.

"ABS CDO Security": Any CDO Security which is secured primarily by Asset Backed Securities and/or CMBS Securities and is not a CDO of CDO Security.

"ABS Small Business Loan Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from general purpose corporate loans made to "small business concerns" (generally within the meaning given to such term by regulations of the United States Small Business Administration), including, but not limited to, those (a) made pursuant to Section 7(a) of the United States Small Business Act, as amended, and (b) partially guaranteed by the United States Small Business Administration.

"Aircraft Securities": Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of aircraft equipment to commercial and industrial customers.

"Asset Backed Securities": (a) Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, including securities issued in any (i) credit card receivable securitization, (ii) student loan securitization, (iii) residential mortgage-backed securitization, (iv) home equity loan securitization or (v) other securitization of commercial or consumer receivables and (b) CDS Assets with respect to which the CDS Reference Obligation thereof and each permitted Deliverable Obligation thereunder complies with clause (a) above.

"Automobile Lease Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from leases to prime customers of automobiles, sport utility vehicles, light trucks and recreational vehicles.

"Automobile Loan Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from installment sale loans made to prime customers to finance the acquisition of automobiles, sport utility vehicles, light trucks and recreational vehicles.

"Balance Sheet CDO Security": Any security issued in any bond or commercial loan securitization (including any synthetic securitization) for which the principal asset seller, depositor or synthetic counterparty is a single bank or other depository institution and/or its affiliates.

"Bank Trust Preferred CDO Security": Any security that entitles the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of (a) trust preferred securities issued by a wholly-owned trust subsidiary of a U.S. bank or depository institution which uses the proceeds of such issuance to purchase a debt instrument issued by its parent and/or (b) surplus notes issued by a U.S. bank or depository institution. They generally have the following characteristics: (i) the trust securities or surplus notes are non-amortizing preferred stock securities; (ii) the trust securities or surplus notes have a 30-year maturity with a 5- or 10-year non-call period; or (iii) the trust securities or surplus notes are subordinated debt.

"Cap Corridor Floater" means an RMBS Security that is a Floating Rate Security and that (a) is backed exclusively by fixed rate mortgages, (b) is issued senior to, *pari passu* with, or subordinate to other tranches of securities that are exclusively fixed rate, and (c) uses amortizing notional balance interest rate caps to increase the available funds cap applied to that security above the net weighted average coupon on the underlying collateral.

"Catastrophe Bond": An insurance-linked debt instrument containing a provision pursuant to which the issuer's obligation to pay interest or principal is deferred or forgiven in the event of loss due to certain natural catastrophes specified in the Underlying Instruments.

"CBO Security": A security that entitles the holder thereof to receive payments that depend (except for rights or added assets designed to assure the servicing or timely distribution of proceeds to the holder of such security) on the cash flow from a portfolio primarily of high yield corporate bonds.

"CDO of CDO Security": A CDO Security the terms of which permit the aggregate principal balance of the underlying portfolio to consist of more than 50% of CDO Securities.

"CDO Securities": Any (i) collateralized bond obligation, collateralized loan obligation or collateralized debt obligation (including, without limitation, an ABS CDO Security) (or any combination thereof), or (ii) CDS Asset the CDS Reference Obligation of which is a collateralized bond obligation, collateralized debt obligation or collateralized loan obligation.

"CLO Securities": A CDO Security that entitles the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the CDO Securities) on the credit exposure to, or cash flow from, a portfolio of collateral of which at least 70% consists of commercial loans (including any eligible synthetic security whose reference obligation consists of a single name commercial loan); *provided* that not more than 25% of the Principal Balance of any CLO Security may be comprised of CDS Assets.

"CMBS Conduit Securities": Securities (other than CMBS Single Asset Securities, CMBS Credit Tenant Lease Securities or CMBS Large Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of commercial mortgage loans generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors (with the creditworthiness of individual obligors being less material than for CMBS Large Loan Securities) and accordingly represent a relatively undiversified pool of obligor credit risk; (4) upon original issuance of such CMBS Conduit Securities no three commercial mortgage loans account for more than 25% of the aggregate principal balance of the entire pool of commercial mortgage loans supporting payments on such securities; and (5) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment.

"CMBS Credit Tenant Lease Securities": Securities (other than CMBS Large Loan Securities, CMBS Single Asset Securities or CMBS Conduit Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties leased to corporate tenants (or on the cash flow from such leases).

"CMBS Large Loan Securities": Securities (other than CMBS Conduit Securities, CMBS Single Asset Securities or CMBS Credit Tenant Lease Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of commercial mortgage loans made to finance the acquisition, construction and improvement of properties generally having the following characteristics: (1) the commercial mortgage loans have varying contractual maturities; (2) the commercial mortgage loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the commercial mortgage loans are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule (if any), with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or

securities include an effective prepayment premium; and (5) the valuation of individual properties securing the commercial mortgage loans is the primary factor in any decision to invest in these securities.

"CMBS Securities": CMBS Conduit Securities, CMBS Credit Tenant Lease Securities, CMBS Single Asset Securities and CMBS Large Loan Securities.

"CMBS Single Asset Securities": Securities (other than CMBS Conduit Securities, CMBS Credit Tenant Lease Securities or CMBS Large Loan Securities) that entitle the holder thereof to receive payments that depend on the cash flow from a single commercial mortgage loan.

"Contingent CDO Security": Any CDO Security that (a) when issued is assigned a rating by Moody's and S&P with respect to a stated principal amount (the "Rated Principal") and interest thereon at a stated rate (the "Rated Interest") and (b) entitles the holder to additional periodic payments in excess of the Rated Principal and/or Rated Interest. Contingent CDO Securities will be treated for all purposes under the Indenture as having a Principal Balance equal to their Rated Principal and an interest rate equal to their Rated Interest (expressed as a per annum percentage of the Rated Principal).

"Credit Card Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from balances outstanding under revolving consumer credit card or charge card accounts of prime customers.

"Emerging Markets CDO Security": A CDO Security if (a) such security is a Senior CDO Security and more than 40% of the principal amount of the related CDO Assets may consist, pursuant to the underlying instrument of such CDO Security, of securities issued by issuers incorporated or organized under the laws of Emerging Markets Countries, or (b) such security is not a Senior CDO Security and more than 10% of the principal amount of the related CDO Assets may consist, pursuant to the underlying instrument of such CDO Security, of securities issued by issuers incorporated or organized under the laws of Emerging Markets Countries, or (c) such security has a Moody's Rating of "Ba1" or lower or an S&P Rating of "BB-" or lower, and more than 5% of the principal amount of the related CDO Assets may consist, pursuant to the underlying instrument of such CDO Security, of securities issued by issuers incorporated or organized under the laws of Emerging Markets Countries.

"Enhanced Equipment Trust Certificate": A security tranching into two or more classes, each with different payment priorities and asset claims that represents the debt portion of equipment financing (usually large aircraft used by airlines), usually 80% cost of the acquisition of the aircraft. The company may retain the remaining 20% equity portion or more lease the aircraft from a third party. Noteholders are granted a security interest in the aircraft, and in the case of a leveraged lease, the underlying lease with the airline includes the right to receive rental payments.

"Equipment Leasing Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from leases and subleases of equipment (other than automobiles or aircraft) to commercial and industrial customers.

"Franchise Securities": Restaurant and Food Services Securities, to the extent that such Restaurant and Food Services Securities entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow from a pool of franchise loans made to operators of franchises.

"Future Flow Securities": Asset Backed Securities (other than Project Finance Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from receivables or contract rights of originators for the provision of goods or services to consumers generally having the following characteristics: (1) the securities evidence the right to receive future cash flows; (2) the securities are not backed by existing receivables or contract rights, but rather the ability of the originator to continue to generate sufficient levels

of receivables or contract rights in the future; (3) the securities may be rated higher than the sovereign risk of the country of domicile of the originator; and (4) the receivables or contract rights represent obligations from a limited number of obligors and accordingly represent an undiversified pool of obligor credit risk.

"Guaranteed Debt Security": A security as to which the timely payment of interest when due, and the payment of principal no later than stated legal maturity, is unconditionally guaranteed pursuant to an insurance policy, guarantee or other similar instrument issued by a company organized under the laws of a state of the United States, but only if such insurance policy, guarantee or other similar instrument (i) expires no earlier than such stated maturity, (ii) provides that payment thereunder is independent of the performance by the obligor on the relevant security and (iii) is issued by a company having a credit rating assigned by each nationally recognized statistical rating organization that currently rates such security higher than the credit rating assigned by such rating organization to such security determined without giving effect to such insurance policy, guarantee or other similar instrument. For the avoidance of doubt, if any security meets the definition of a Guaranteed Debt Security and another specified type, such Eligible Collateral Debt Security will be considered a Guaranteed Debt Security and not such other specified type for all purposes under the Transaction Documents.

"Healthcare Securities": Asset Backed Securities (other than ABS Small Business Loan Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from leases and subleases of equipment to hospitals, non-hospital medical facilities, physicians and physician groups for use in the provision of healthcare services, generally having the following characteristics: (1) the leases and subleases have varying contractual maturities; (2) the leases or subleases are obligations of a relatively limited number of obligors and accordingly represent an undiversified pool of obligor credit risk; (3) the repayment stream on such leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, sublessee or third party of the underlying equipment; and (4) such leases or subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of lease term for excess usage or wear and tear.

"Home Equity Loan Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from balances (including revolving balances) outstanding under loans or lines of credit secured by (but generally not, upon origination, by a first priority lien on) residential real estate (single or multi-family properties) the proceeds of which loans or lines of credit are not used to purchase such real estate or to purchase or construct dwellings thereon (or to refinance indebtedness previously so used).

"Index Security": Any CDS Asset that is based on the performance of a reference index the composition of which consists of securities meeting the definition of CDS Reference Obligation and that does not vary as a result of a decision by the Manager, any CDS Asset Counterparty or their respective Affiliates. For the purposes of the definition of CDS Asset, a reference to CDS Reference Obligation or CDS Reference Obligor shall be, in the case of an Index Security, a reference to the CDS Reference Obligation and CDS Reference Obligation of the securities included in the index.

"Insurance Trust Preferred CDO Security": Any security that entitles the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from a pool of (a) trust preferred securities issued by a wholly-owned trust subsidiary of a U.S. insurance company which uses the proceeds of such issuance to purchase a debt instrument issued by its parent and/or (b) surplus notes issued by a U.S. insurance company. They generally have the following characteristics: (i) the trust securities or surplus notes are non-amortizing preferred stock securities; (ii) the trust securities or surplus notes have a 30-year maturity with a 5- or 10-year non-call period; or (iii) the trust securities or surplus notes are subordinated debt.

"Interest Only Security": A security that is structured to provide for the payment of interest but no principal.

"Inverse Floating Rate Security": Any floating rate security whose interest rate is inversely proportional to an interest rate index.

"Manufactured Housing Securities": Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from manufactured housing (also known as mobile homes and prefabricated homes) installment sales contracts and installment loan agreements, generally having the following characteristics: (1) the contracts and loan agreements have varying, but typically lengthy contractual maturities; (2) the contracts and loan agreements are secured by the manufactured homes and, in certain cases, by mortgages and/or deeds of trust on the real estate to which the manufactured homes are deemed permanently affixed; (3) the contracts and/or loans are obligations of a large number of obligors and accordingly represent a relatively diversified pool of obligor credit risk; (4) repayment thereof can vary substantially from the contractual payment schedule, with early prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans or securities include an effective prepayment premium; and (5) in some cases, obligations are fully or partially guaranteed by a governmental agency or instrumentality.

"Market Value CDO Security": A CDO Security where the over-collateralization with respect to such CDO Security is measured by the market value of all related CDO Assets.

"Multi-Sector CDO Securities": Securities that entitle the holders thereof to receive payments that depend on the cash flow from or the credit exposure to a portfolio consisting primarily of asset backed securities.

"Mutual Fund Securities": Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from a pool of brokerage fees and costs relating to various mutual funds, generally having the following characteristics: (1) the brokerage arrangements have standardized payment terms and require minimum payments; (2) the brokerage fees and costs arise out of numerous mutual funds and accordingly represent a very diversified pool of credit risk; and (3) the collection of brokerage fees and costs can vary substantially from the contractual payment schedule (if any), with collection depending on numerous factors specific to the particular mutual funds, interest rates and general economic matters.

"Natural Resource Security": A security that entitles the holders thereof to receive payments that depend (except for rights or added assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on the cash flow linked to ecological commodities such as oil, forestry, water, soil, and any other aspect of an ecosystem which can be both harvested and renewed.

"Negative Amortization Security": An RMBS Security that (a) permits at least 40% of the related mortgage loan or mortgage loan obligor for a specified period of time to make no repayments of principal and payments of interest in amounts that are less than the interest payments that would otherwise be payable thereon based upon the stated rate of interest thereon, (b) to the extent that interest proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits principal proceeds received in respect to the related underlying collateral to be applied to pay such interest shortfall and (c) to the extent that the aggregate amount of interest proceeds and principal proceeds received in respect of the related underlying collateral are insufficient to pay interest that is due and payable thereon, permits such unpaid interest to be capitalized as principal and itself commence accruing interest at the applicable interest rate, in each case pursuant to the related Underlying Instruments.

"NIM Security": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities) on all or part of the residual cash flow from a pool of mortgage loans.

"Oil and Gas Securities": Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from (a) a pool of franchise loans made to operators of franchises that provide oil and gasoline services related thereto and (b) leases or subleases of equipment to such

operators for use in the provision of such goods and services. They generally have the following characteristics: (1) the loans, leases or subleases have varying contractual maturities; (2) the loans are secured by real property purchased or improved with the proceeds thereof (or to refinance an outstanding loan the proceeds of which were so used); (3) the obligations of the lessors or sublessors of the equipment may be secured not only by the leased equipment but also the related real estate; (4) the loans, leases and subleases are obligations of a relatively limited number of obligors and accordingly represent a relatively undiversified pool of obligor credit risk; (5) payment of the loans can vary substantially from the contractual payment schedule (if any), with prepayment of individual loans depending on numerous factors specific to the particular obligors and upon whether, in the case of loans bearing interest at a fixed rate, such loans include an effective prepayment premium; (6) the repayment stream on the leases and subleases is primarily determined by a contractual payment schedule, with early termination of such leases and subleases predominantly dependent upon the disposition to a lessee, a sublessee or third party of the underlying equipment; (7) such leases and subleases typically provide for the right of the lessee or sublessee to purchase the equipment for its stated residual value, subject to payments at the end of a lease term for excess usage or wear and tear; and (8) the ownership of a franchise right or other similar license and the creditworthiness of such franchise operators is the primary factor in any decision to invest in these securities.

"PIK Bond": An Eligible Collateral Debt Security that, pursuant to the terms of the related Underlying Instruments, permits the payment of interest in Cash thereon to be deferred or capitalized (including, without limitation, by providing for the payment of interest through the issuance of additional debt securities identical to such debt security or through additions to the principal amount thereof for a specified period in the future or for the remainder of its life or by capitalizing interest due on such debt security as principal) or non-payment of interest when scheduled (but without being a Defaulted Security).

"PIK Bond": A PIK Bond with respect to which interest has been deferred or capitalized or which does not pay interest when scheduled (other than a Defaulted Security) for any payment date, but only until such time as payment of interest on such PIK Bond has resumed and all capitalized and deferred interest and any interest thereon has been paid in Cash in accordance with the terms of the Underlying Instruments; *provided* that a PIK Bond with (a) an S&P Rating of at least "BBB-" or a Moody's Rating of at least "Baa3" will not be a PIK Bond unless the deferral of payment of interest thereon has existed for the lesser of (i) two consecutive payment dates and (ii) a period of one year and (b) an S&P Rating below "BBB-" or a Moody's Rating below "Baa3" will not be a PIK Bond unless the deferral of payment of interest thereon has existed for the lesser of (i) one payment date and (ii) a period of six months.

"Principal Only Security": A security that is structured to provide for the payment of principal in Cash at not less than par upon maturity, redemption or acceleration, but not for the payment of interest.

"Project Finance CDO Security": Any CDO Security the terms of which permit the related CDO Assets to consist predominantly of Project Finance Securities and, for the avoidance of doubt, is not an Emerging Markets CDO Security.

"Project Finance Securities": Asset Backed Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the Asset Backed Securities) on the cash flow from (1) the sale of products, such as electricity, nuclear energy, steam or water, in the utility industry by a special purpose entity formed to own the assets generating or otherwise producing such products and such assets were or are being constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to such assets and the land on which they are located) or (2) fees or other usage charges, such as tolls collected on a highway, bridge, tunnel or other infrastructure project, collected by a special purpose entity formed to own one or more such projects that were constructed or otherwise acquired primarily with the proceeds of debt financing made available to such entity on a limited-recourse basis (including recourse to the project and the land on which it is located).

"Real Estate CDO Securities": Securities that entitle the holders thereof to receive payments that depend on the cash flow from or the credit exposure to a portfolio consisting primarily of (i) debt securities issued by an entity qualifying and electing to be treated as a "real estate investment trust" for U.S. federal income tax purposes, (ii) CMBS Securities or (iii) a combination of the foregoing.

"Real Estate Investment Trust Preferred Security": Trust preferred securities issued by trust subsidiaries of trusts or other entities qualifying and electing to be treated as a "real estate investment trust" for U.S. federal income tax purposes.

"Residential A Mortgage Securities": Securities (other than Residential B/C Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from residential mortgage loans secured (primarily on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used) and generally underwritten to the standards of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (without regard to the size of the loan).

"Residential B/C Mortgage Securities": Securities (other than Residential A Mortgage Securities) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from residential mortgage loans secured (primarily on a first priority basis, subject to permitted liens, easements and other encumbrances) by residential real estate (single or multi-family properties) the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon (or to refinance indebtedness previously so used), in each case made to subprime borrowers.

"Restaurant and Food Services Securities": Securities that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities) on the cash flow from (i) a pool of franchise loans made to operators of franchises that provide goods and services relating to the restaurant and food services industries and (ii) leases or subleases of equipment to such operators for use in the provision of such goods and services.

"RMBS Securities": Securities backed by ownership of, or participation interests in, pools of one- to four-family residential mortgage loans that entitle the holders to receive the cash flow from such pools, including, without limitation, Residential A Mortgage Securities, Residential B/C Mortgage Securities or Home Equity Loan Securities.

"Semi-Annual Securities": Securities that provide for periodic payments of interest in Cash semi-annually.

"Senior CDO Security": Any CDO Security that was rated at the time of issuance (and without regard to any subsequent upgrades or downgrades) "Aa3" or higher by Moody's (if rated by Moody's) and "AA-" or higher by S&P (if rated by S&P) or is currently the senior-most security in the capital structure of its issuer.

"Single-Tranche Synthetic CDO Security": Any swap transaction, debt security, security issued by a trust or similar vehicle or other investment, the returns on which (as determined by the Manager) are linked, directly or indirectly, to the credit performance of any pool of corporate obligations or obligors or of Asset Backed Securities and in which investors take the risk of one or more, but not all, tranches only of the risk contained in such pool and the remaining tranches of risk are not separately documented or sold.

"Static Bespoke CDO Security": A Single-Tranche Synthetic CDO Security where the investors' exposure to credit risk is taken by entering into a credit default swap with a protection buyer in relation to a static pool of corporate obligors or of Asset Backed Securities.

"Step-Down Bond": A security which by the terms of the related underlying instrument provides for a decrease in the spread over the applicable index or benchmark rate, solely as a function of the passage of time; provided that a Step-Down Bond will not include any such security providing for payment of a constant rate of interest at all times after the date of acquisition by the Issuer. In calculating any Portfolio Quality Test by reference to the spread of a Step-Down Bond, the spread or coupon on any date will be deemed to be the lowest spread or coupon, respectively, scheduled to apply to such Step-Down Bond on or after such date.